

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 STR-07 CAB-02
DODE-00 DOTE-00 FAA-00 L-03 /085 R

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USDOC/BIEPR/OCA - M. SMITH (INFO)

-----027523 302059Z /15

P R 302012Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI PRIORITY
INFO AMEMBASSY PARIS
AMCONSUL HONG KONG
AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 220738

E.O. 11652: GDS

TAGS:EAIR, ETRD, TW

SUBJECT: MCDONNELL-DOUGLAS/AIRBUS INDUSTRIE COMPETITION
FOR SALES IN TAIWAN

REFERENCE: TAIPEI 5713

1. DATA CONTAINED IN CHART INCLUDED IN REFTEL HAVE BEEN
CHECKED AGAINST THAT IN JANE'S "ALL THE WORLD'S AIRCRAFT"
AND WITH MCDONNELL-DOUGLAS AND LOCKHEED. EMBASSY IS COR-
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RECT IN ASSUMING THAT DATA AS PRESENTED ARE SUPERFICIAL
AND CONSIDERABLY LESS DETAILED THAN THAT PRESENTED BY COM-
PANIES TRYING TO OBTAIN CAL CONTRACT. IN SOME CASES COM-
PARISONS ARE DIFFICULT BECAUSE OF DIFFERENCES IN MODELS AND
DEFINITIONS. HOWEVER, FOLLOWING DISCREPANCIES APPEAR
NOTEWORTHY, AND SHOULD BE WORTH PASSING ON TO APPROPRIATE
ROC OFFICIALS:

A. NUMBER OF SEATS: ACCORDING TO MCDONNELL-DOUGLAS REPRESENTATIVE, AIRBUS WHICH CAL IS CONSIDERING PURCHASING WOULD HAVE ONLY 232 PASSENGER SEATS. JANE'S LISTS AIRBUS MAXIMUM SEATING CAPACITY AS 302, HOWEVER. NUMBER OF SEATS CAN BE CHANGED DEPENDING ON HOW THEY ARE ARRANGED AND PROPORTION RESERVED FOR FIRST CLASS PASSENGERS.

B. MAXIMUM PAYLOAD: FIGURES FOR DC-10 AND L1011 APPARENTLY ARE FOR "SPACE LIMITED PAYLOAD", I.E. PASSENGERS. HOWEVER, FIGURE QUOTED IN REFTEL FOR A-300 APPARENTLY IS "WEIGHT LIMITED PAYLOAD", I.E. CARGO. "SPACE LIMITED PAYLOAD" FIGURE FOR A-300 SHOULD BE ABOUT 10,000 POUNDS LESS THAN THAT GIVEN IN REFTEL. "WEIGHT LIMITED PAYLOAD" FOR DC-10 IS 88,500.

C. MAXIMUM DISTANCE: FIGURES FOR A-300 APPEAR TO BE SERIOUSLY INFLATED. ACCORDING TO MCDONNELL-DOUGLAS, MAXIMUM RANGE OF A-300 WITH FULL PASSENGER LOAD IS ONLY 2,300 NAUTICAL MILES AND A-300 RANGE CARRYING FULL PAYLOAD WEIGHT IS 2,150 NAUTICAL MILES. JANE'S GIVES A-300 FULL PASSENGER LOAD RANGE AT ABOUT 2,400 NAUTICAL MILES.

D. FUEL CONSUMPTION: MCDONNELL-DOUGLAS REPRESENTATIVE QUOTES FULL CONSUMPTION FOR DC-10 AT 15,489 POUNDS PER HOUR AND FOR AIRBUS AT 14,205 POUNDS PER HOUR. BOTH
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FIGURES ARE HIGHER, BUT DISCREPANCY IS LESS THAN IN GROC CHART.

E. MAINTENANCE COST: MCDONNELL-DOUGLAS ESTIMATES DC-10 MAINTENANCE COST, WITH TAIWANESE LABOR PROVIDED BY CAL, AT ONLY \$375 PER HOUR. THE COMPANY ESTIMATES A-300 MAINTENANCE COST UNDER SAME CONDITIONS AS ONLY \$290 PER HOUR. WHILE BOTH COSTS ARE CONSIDERABLY LESS THAN NUMBERS QUOTED REFTEL, DISCREPANCY BETWEEN THE TWO AIRCRAFT IS CONSIDERABLY LESS THAN FIGURES IN CHART PROVIDED BY GROC WOULD INDICATE.

F. ESTIMATED PRICE: ALL PRICES QUOTED REFTEL APPARENTLY WOULD BE PLUS STANDARD 20 FOR SPARE PARTS AND EQUIPMENT. MCDONNELL-DOUGLAS REPRESENTATIVE STRESSED THAT HIS COMPANY'S OFFER IS SUBJECT TO NEGOTIATION WITH CAL AND IS HIGHLY CONFIDENTIAL. HE SAID LAST FIGURE DISCUSSED IS \$36.2 MILLION PER AIRCRAFT PLUS 20.

2. AMBASSADOR SHOULD AGAIN APPROACH GROC AT SUITABLY HIGH LEVEL TO EMPHASIZE OUR BELIEF THAT MCDONNELL-DOUGLAS DC-10 ON ECONOMIC CONSIDERATIONS IS MORE THAN

COMPETITIVE IN PRICE, CREDIT TERMS OR OTHER SIGNIFICANT FACTORS THAN ANYTHING AIRBUS INDUSTRIES HAS TO OFFER. WE CONTINUE TO BE DISTURBED BY INDICATIONS THAT NON-COMMERCIAL FACTORS ARE AN ELEMENT IN A DECISION TO PURCHASE NON-US AIRCRAFT. IN THE CONTEXT OF THE CONTINUED LARGE IMBALANCES IN US-ROC TRADE AND STRONG FEELING HERE THAT ROC EFFORTS TO CORRECT THE IMBALANCE ARE INADEQUATE, GROC SHOULD WEIGH HEAVILY POTENTIALLY SERIOUS ADVERSE REACTION HERE SHOULD THERE BE ANY INDICATION

THAT OTHER THAN COMMERCIAL FACTORS INFLUENCED THE GROC'S DECISION. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, COMMERCIAL AIRCRAFT
Control Number: n/a
Copy: SINGLE
Draft Date: 30 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE220738
Document Source: CORE
Document Unique ID: 00
Drafter: GGGRIFFITHS/EA/ROC:WALUNDY:ARCK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780354-0885
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978087/aaaaafmz.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b7090e64-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 TAIPEI 5713
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1755634
Secure: OPEN
Status: NATIVE
Subject: MCDONNELL-DOUGLAS/AIRBUS INDUSTRIE COMPETITION FOR SALES IN TAIWAN
TAGS: EAIR, ETRD, TW, US, MCDONNELL DOUGLAS, AIRBUS INDUSTRIE
To: TAIPEI
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b7090e64-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014